

# Taxes to Beat the Axis

By HARRY GUNNISON BROWN

To those few Georgists who follow the letter rather than the spirit, war, however justifiable, must bring a very peculiar distress that it does not bring to persons whose economic faith is less literal. This distress stems from the fact that successful prosecution of a modern war absolutely compels resort to other sources for taxation than the rent of land.

To carry on war against foes as strong as the Axis powers, we must have many billion dollars worth of planes, tanks, ships and guns and we must have them in a hurry.

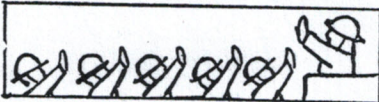
Men are conscripted for fighting and compelled to sacrifice their lives. And when men must sacrifice their lives, it is impossible that the wages of labor and the interest on capital are sacrosanct incomes which the state may not tax. And so most of us who would like the whole, or practically the whole, of land rent to be appropriated by the state, would still, under present conditions, wish the Federal government to draw very heavily "for the duration" on other incomes too.

For we cannot afford to risk defeat by leaving ANY large incomes, whether fairly earned or not, free of heavy taxation. Even if we depart from what would be, under normal conditions, ideal principles of taxation, we must be willing to do this lest we suffer the consequences of defeat.

But, even on the basis that every person should have to pay, while the war continues, all the government can hope to get from him, certain taxes are obviously either undesirable or of only limited value. This is true of taxes on sales in general

and on necessities in particular. For such taxes are a burden on the very poorest and the very poorest have only a tiny margin above necessities. We simply **cannot** get large funds from them without either reducing them below the starvation line or providing means for charitable relief. ,

The maintenance of morale and the provision of necessary funds and, therefore, success in our very objective of winning the war, depend on our drawing very heavily from the larger and medium incomes even when these incomes are fairly earned. Incidentally, conquest by a ruthless foreign foe might easily mean that such earned incomes could be earned no longer or, if earned, could be enjoyed no longer by those who now enjoy them.



As a long-run peace-time proposition, it can be argued that for the state to appropriate nearly all the income yielded by capital might remove much of the incentive for the accumulation and the construction of capital. But to appropriate nearly all the income from capital during just a few years of war is less likely to remove the impulse to save. And, anyway, during the continuance of a nation's struggle for freedom or for maintenance of the conditions its citizens deem essential for satisfactory living, most of the savings individuals might ordinarily devote to the construction of capital are desperately needed in the form of means of warfare.

The nation simply cannot afford to leave for ordinary capital construction any funds which might be turned to essential war purposes. And if special kinds of capital are needed for the production of the instrument of war, the government, if necessary, can itself see that such capital is made available.

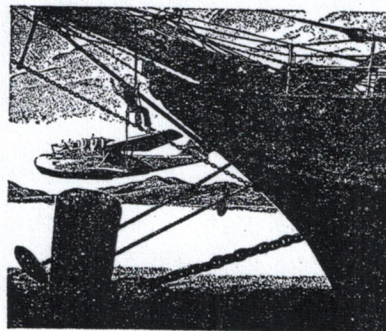
What now of the extra large incomes of efficient and well-trained labor, such as that of executives, professional workers and especially

skilled artisans? If such extra incomes were always taken almost entirely by government, perhaps few would bother to work for them or to acquire the skill and training necessary to earn them. But such extra incomes may be taxed very heavily indeed during two or three years of war—and especially perhaps in view of the influence of patriotism—without there being anything like so great a depressive influence.

Nevertheless, however desirable and important it may be that during the crisis of war we tax into the national treasury all surpluses over individual needs that we can reach, whether they be earned or unearned, we must not forget this distinction. We must not permit others who have ever got any inkling of the distinction to forget it. We must emphasize and re-emphasize it on every appropriate occasion.

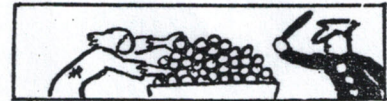
To tax capital when there are still large streams of land rent flowing into private income is economic foolishness. It may decrease saving and the construction of capital. Even if it does not, it tends to cause investment of the savings in other places where the capital is taxed less.

Again, heavy taxes on earned wages involve an unjustifiable burden on the comparatively poor who enjoy, at best, not much of luxury. Yet if taxes are made unduly heavy on the larger earned wages of the more skilled or highly trained workers, it seems quite likely—as already indicated—that much of the motive to efficiency in the long run would be destroyed. It is possibly noteworthy that even the socialistic government of Russia has felt obliged to



give larger—often very much larger—pay to the efficient, the skilled and the highly trained than to workers of less productive capacity.

But for the state to appropriate in taxation most or all of the annual rental value of natural resources and sites certainly does not weaken the motive to saving. It certainly does not cause savings to be invested in other jurisdictions or areas. It certainly is not a burden on the earned wages of the relatively poor. It certainly has not the least tendency to weaken the motive to efficiency. Such taxation merely takes for the use of all of us a value for which none of us—nor any small group of us—is individually responsible, a value which none of us individually produced or could produce.



Such taxation discourages the speculative holding of land out of use and so forces rents down and improves the condition of tenants generally. It means that slum dwellers, paying less for land space, can afford more room and more healthful conditions. It means that building lots will sell for much less and that the tenant who wants to become a home owner can do so without assuming so discouragingly large a mortgage indebtedness.

None of these facts is unknown to readers of **The Freeman**. But all or most of them are unknown to the general public; and those journalists, politicians and teachers who aspire to be regarded as leaders of opinion seem to be, with hardly an exception, determined not to investigate them,—nor even to listen, except with closed minds, to their exposition.

Nevertheless, the time may come—and the sooner as readers of this magazine become numerous and increasingly influential—when the would-be leaders of public opinion, who insist on ignoring facts so fundamental and so significant for the well being of the state, will themselves be ignored or will be the butt of well-directed ridicule.